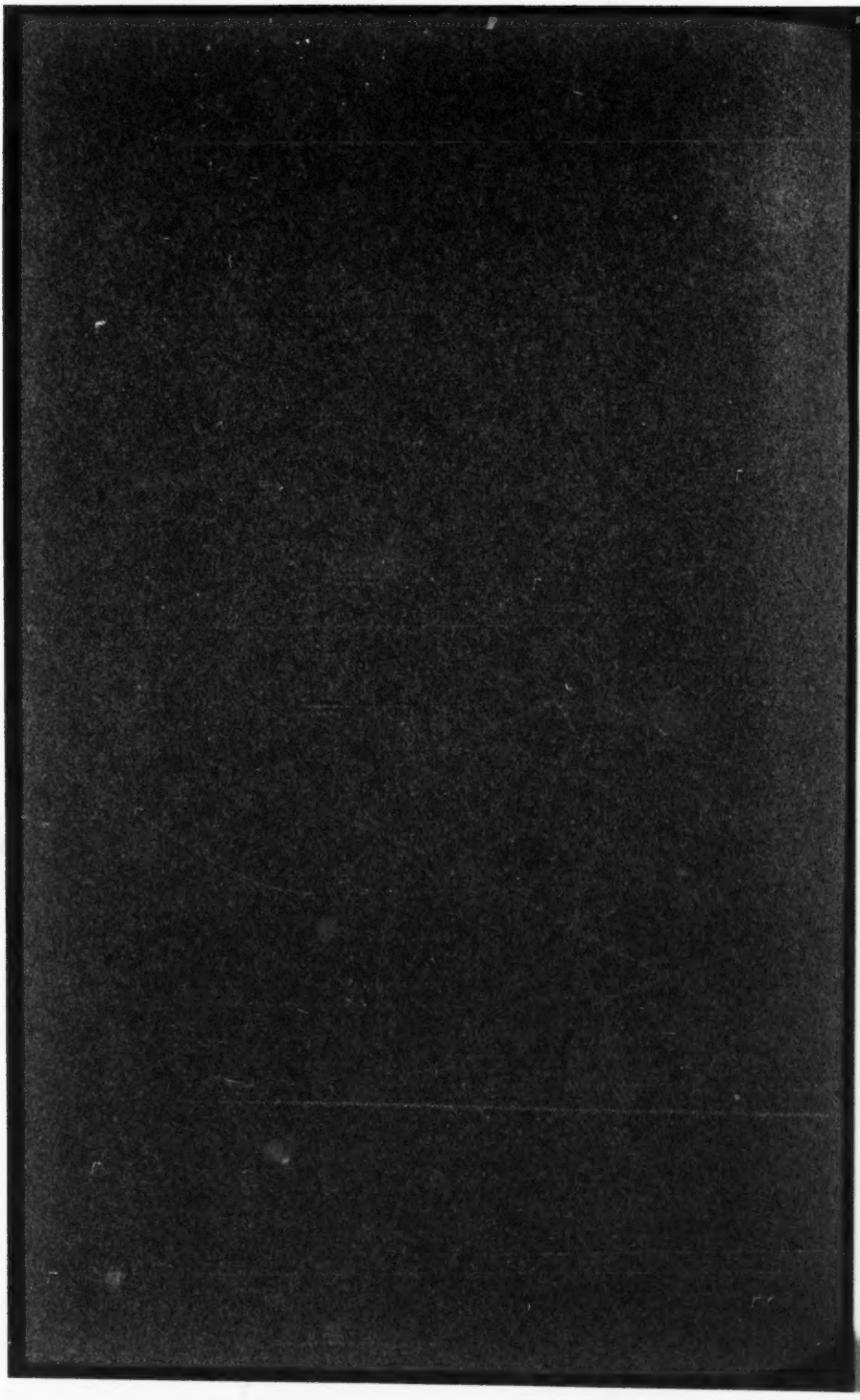

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In the Supreme Court of the United States

OCTOBER TERM 1943.

No. 469.

OIL CITY REFINERS, INC.,
Petitioner,

vs.

SOCONY-VACUUM OIL COMPANY, INCORPORATED,
Respondent.

REPLY BRIEF FOR PETITIONER ON PETITION FOR WRIT OF CERTIORARI.

FRAUD BY RESPONDENT.

No one can be guilty of a *wrong* unless he has violated someone's *right*.

And what right has respondent to use the symbol of a flying horse as a trade-mark for petroleum products in the State of Ohio? None whatever!

As stated by the Court of Appeals:

> "The court and Master found that Oil City had a prior right in the Cleveland territory to the use of the flying horse as a trade symbol and Socony accepts this finding." (R. p. 273.)
>
> * * * * *
>
> "Under the laws of Ohio a valid trademark territorially extends to the entire state. Independently of the statute, the trademark of Oil City extended to the entire state under the rule laid down in the case of *Western Oil Refining Company v. Jones*, 27 F. (2d) 205 (C. C. A. 6)." (R. p. 274.)

That the first to use a technical trade-mark obtains the exclusive right to such use is pointed out by this Court in *Amoskeag Manufacturing Company vs. David Trainer*, 101

U. S. 51. Although the Court in a majority of opinion held that the particular mark in question was not capable of exclusive use because it designated a quality of the goods on which it was used, nevertheless it affirmed the rule that the first to use a technical mark is entitled to the exclusive use thereof by stating:

> "The general doctrines of the law as to trade marks, the symbols or signs which may be used to designate products of a particular manufacture, and the protection which the courts will afford to those who originally appropriated them, are not controverted. Everyone is at liberty to affix to a product of his own manufacture any symbol or device, not previously appropriated, which will distinguish it from articles of the same general nature manufactured or sold by others, and thus secure to himself the benefits of increased sale by reason of any peculiar excellence he may have given to it. The symbol or device thus becomes a sign to the public of the origin of the goods to which it is attached, and an assurance that they are the genuine article of the original producer. In this way it often proves to be of great value to the manufacturer in preventing the substitution and sale of an inferior and different article for his products. It becomes his trade mark, and the courts will protect him in its exclusive use, either by the imposition of damages for its wrongful appropriation or by restraining others from applying it to their goods and compelling them to account for profits made on a sale of goods marked with it."

The outstanding fallacy in the reasoning of each of the lower courts and of the Master is the ignoring by them of the fundamental premise that Socony must have had a *right* to use the flying horse as a trade-mark for petroleum products in the State of Ohio to cause *any* use of such mark by Oil City to be unfair competition.

The Court of Appeals properly points out that "unlike the infringement of technical trade-marks, unfair competition does not necessarily involve the violation of any *exclusive* right in complainant to use the names and symbols

employed by the defendant. There may be unfair competition resulting from an unauthorized and improper use of such names and symbols although the complainant has no *property* right in them as a trade-mark." (Italics ours.)

But Socony must have had *a right* to use the mark to enable it to complain of unfair competition in use by another. Property right referred to by the court is an *exclusive* right, and it is well understood that an exclusive right is not essential to maintaining a charge of unfair competition, but there must be *a right,* and this is the point on which this whole case turns. Socony had no right to use the mark in Ohio, and it does not answer the question to say that because it had no exclusive right there still might be unfair competition against it.

The Court of Appeals in its opinion states the law that "in cases involving technical trade-marks the fraudulent attempt to deceive is presumed." Therefore, when Socony invaded Oil City's territory and appropriated Oil City's trade-mark, it was guilty of fraud, which means that it had no right to use that mark in that territory, and having no right to use the flying horse in Ohio, it makes no difference in what form or color Oil City portrayed its mark.

We know of no case (except this one) which holds that a wrongdoer by reason of his invasion of an *exclusive* right, can acquire, by reason of his very act of wrongdoing, a right superior to that of the party he has wronged.

> "The governing principle is 'that whenever a party who, as an actor, seeks to set the judicial machinery in motion and obtain some remedy, has violated conscience, or good faith, or other equitable principle, in his prior conduct, then the doors of the court will be shut against him *in limine*; the court will refuse to interfere on his behalf, to acknowledge his right, or to award him any remedy'."
>
> (*Keystone Driller Company v. General Excavator Company,* 290 U. S. 240, 245.)

Or, as was said by the Supreme Court of Tennessee, in a trade-mark case, *C. F. Simmonds Medicine Company v. Mansfield Drug Company,* 93 Tenn. 84, 94 (1893):

> "* * * if his claim to relief grows out of, or depends upon, or is inseparably connected with his own prior fraud, he will be repelled at the threshold of the Court."

It is almost inconceivable that when Socony entered the Ohio territory it did not canvass conditions there existing and know perfectly well that Oil City was using the flying horse as a trade-mark. But even if Socony's entry into Ohio had been entirely innocent, that innocence stopped when they were notified by Oil City of their infringement, and when they continued it thereafter in defiance of Oil City's rights. (*Straus v. Notaseme Hosiery Company,* 240 U. S. 179.)

As a matter of fact, Oil City's notice to Socony was *before* any use by the latter on the goods in Ohio, and was based on their preliminary newspaper advertising.

Respondent endeavors to hide its own fraud by charging, and reiterating *ad nauseam,* that petitioner has been found guilty of fraud by trespassing on respondent's rights, without attempting to explain how respondent ever acquired any rights to the flying horse trade-mark in the State of Ohio.

In the first place, neither the Master nor either of the Courts stated that petitioner was guilty of fraud.

The closest the Master came to asserting fraud by petitioner was his conclusion that "the entire circumstances of defendant's conduct" * * * "are such as to indicate a disregard of the public right and an intention to appropriate to itself a part of plaintiff's good will and business." (R. p. 52.) The District Court, in overruling the exceptions and confirming the Master's report, in effect adopted this conclusion.

The closest the Court of Appeals came to it was to hold that Oil City "availed itself of unfair means, either expressly or tacitly, to sell its products to the ultimate purchaser as and for those of Socony" (R. p. 273); after it had set out, "nor is there any direct evidence that Oil City by its conduct deliberately intended to appropriate the business of Socony." (R. p. 271.)

Not only is there no evidence that petitioner was passing off its goods as those of respondent, but there is positive evidence that petitioner sought to minimize the confusion while preserving its rights to the flying horse trade-mark. Please note on the very exhibits which respondent considers of sufficient importance to warrant their expensive reproduction in color, R. pp. 141 to 145 (see certified copy for color), that petitioner has associated with its flying horse the legend "The Original Flying Horse." Petitioner was trying to maintain its trade-mark and at the same time advise the public that they must not confuse respondent's appropriation of the mark with the genuine.

All of the tribunals found that petitioner was the first to use the flying horse as a mark; that petitioner had used the mark in various colors, including sporadic use of the color red, before respondent started to use the mark in Ohio, or elsewhere in the United States for that matter, and they held that petitioner's subsequent substantially exclusive use of a red color should be enjoined.

The absurdity of respondent's contention is its assertion that respondent possessed *goodwill* in the flying horse mark superior to that of petitioner. The facts are that respondent willfully and wantonly infringed petitioner's rights, and persisted in the infringement after notice, and that petitioner's prior use of the mark had been adequate to constitute a trade-mark use (R. p. 52). If, therefore, the respondent had any "will" it was not "good" will but "bad" will. Its persistent infringement of a technical trade-mark after notice was fraudulent, *ab initio*. At what

stage of the proceedings, then, did respondent's fraud become virtuous and petitioner's virtue became fraudulent?

> "One cannot be guilty of fraud by doing what he has a legal right to do. A court does not inquire into one's motives for doing a lawful act." (*Prudential Ins. Co. of America vs. Bohlken*, 40 F. Supp. 494—District Court for the Western District of Missouri, quoting the Supreme Court of Missouri in *Owens vs. Owens*, 146 S. W. 2nd 569, 577.)

Significantly enough, respondent's brief utterly ignores this proposition, but it is primarily to such error of the courts that petitioner's prayer for a writ is directed.

The Master made a reference to the actions of petitioner as indicating a "disregard of public right" (R. p. 52) but he does not explain how any public right can spring from respondent's wrong. The right of the public is a general right not to be misled by an infringement of an established trade-mark. They were misled by respondent's infringement.

One might theorize that the public would be benefited by an infringement of an owner's technical trade-mark, in that the public might thereby obtain goods at more places or at a less price, but any such benefit must be subordinated to the public's right not to have confusion thrust upon them. The Court of Appeals thought that "the confusion which Oil City seeks to abate was of its own creation" (R. p. 270). Contrariwise, the confusion resulted from Socony's wanton invasion of Oil City's trade-mark rights.

At the expense of reiteration, we point out that the uncontested findings of the absence of abandonment, and of the absence of laches, have left the petitioner in the same position today that it enjoyed in January of 1933, insofar as concerns petitioner's right to exclusive enjoyment in all of the symbols of flying horses as a trade-mark for petroleum products. (*Menendez v. Holt*, 128 U. S. 514.)

If we go back to the situation in the year 1932, petitioner had built up a nice business among clientele in Ohio under the red flying horse trade-mark, as illustrated by his radio broadcasts in 1931 (R. pp. 214 to 220), urging that people call at "the sign of the flying red horse" for their gasoline, but respondent saw fit to violate petitioner's rights to that trade-mark by coming into the Ohio territory with the display of a flying horse as a trade-mark, over the protest of petitioner. That was a fraud on the part of the respondent, which has continued to this day.

Under the authority of *McLean v. Fleming,* 96 U. S. 245, the first to use a mark to a sufficient extent to make it constitute his trade-mark is entitled to the *exclusive* enjoyment of that mark in the territory of use. The decision states:

> "In such cases, the question is not whether the complainant was the original inventor or proprietor of the article made by him, and on which he puts his trade-mark, nor whether the article made and sold under his trade-mark by the respondent is equal to his own in value or quality; but the court proceeds on the ground that the complainant has a valuable interest in the good-will of his trade or business and, having adopted a particular label, sign or trade-mark, indicating to his customers that the article bearing it is made or sold by him or by his authority, or that he carries on business at a particular place, he is entitled to protection against one who attempts to deprive him of his trade or customers by using such labels, signs or trade-mark without his knowledge, or consent. *Coats v. Holbrook,* 2 Sandf. Ch. 586; *Partridge v. Menck,* 2 Barb. Ch. 101."

PETITION PRESENTS A REVIEWABLE QUESTION.

Respondent alleges that the petition represents an attempt to avoid the effects of findings below.

It is true that petitioner in questions 7, 11, and 12 referred to findings which are believed to be obviously

erroneous, in view of the evidence, but such findings are not controlling as to the major issue on the question of law. The "various trade symbols" (R. p. 272) mentioned by the Court of Appeals, as having been used by petitioner, were billboard signs that were not a use on the goods, and technically, therefore, were not trade-marks. *Columbia Mill Company v. Alcorn,* 150 U. S. 460. That case was cited in *Gray v. Armand Company* (App. D. C. 1928), 24 F. (2d) 878, 879, where the Court said:

> "The mere advertisement of the word or symbol without application to the goods themselves is insufficient to constitute a trade-mark."

There is no evidence in the case to show that Oil City at any time used anything other than a flying horse *on the goods.* Exception No. 3 (R. p. 54) and the testimony designated Exhibit B (R. pp. 87, 88).

That petitioner's use of the mark was not limited to the color red at any time, see the testimony, Exhibits B and C (R. pp. 87 to 89). Exhibit 570 referred to in the Allen testimony (R. p. 89) is in the record at R. p. 99.

That petitioner did not remodel its mark is pointed out in detail at page 37 of the petition; and that petitioner did not use the flying horse "sporadically" prior to October, 1932 has been pointed out in detail in the petition at page 38.

The petition is not to change the major findings of fact at all, but to apply the proper law to those facts. The law which the Court below did not follow is that "when there is infringement of a technical trade-mark, fraud by the infringer is presumed." It was this fraud by the respondent which was overlooked by the Courts below but which by established principles of equity jurisprudence precludes respondent from maintaining its suit, as heretofore pointed out.

Running through respondent's brief is the contention that petitioner is now attempting to change the findings of fact of the Special Master. That statement is unsupported

by the principal questions presented in petitioner's application for the writ. Petitioner seeks to change the conclusions of law drawn from those findings of fact.

For example, it was found that petitioner had an established right in the symbol of a flying horse as a trade-mark before respondent commenced to use it in Ohio. It was also the finding that respondent was duly notified but persisted in using the mark. It was further found that petitioner partially suspended use of the mark, at some stations, for a period of time, but that such cessation of use did not constitute abandonment.

What petitioner seeks by the petition is not an alteration of the main findings of fact but rather the conclusions of law resulting therefrom, and the applicability of the proper decisions which govern the rights of parties in a conflict involving a technical trade-mark.

ALLEGED DIFFERENCES IN SHAPE OF FLYING HORSES.

Respondent's contention now is that there was no confusion between petitioner's horse as originally used and respondent's horse, but that there was confusion between petitioner's horse and respondent's horse after 1940. The assumption here is that there is sufficient difference between the horses of 1940 and those of 1933 to warrant a conclusion of lack of confusion in 1933. The fallacy of that contention is shown by petitioner's notice of infringement, January 19, 1933, alleging confusion, and respondent's reply of February 1, 1933 alleging priority of registration and use of the mark (R. pp. 10; 38).

The contention of absence of confusion by virtue of alleged differences in shape is unsound because the Master has found that the difference is not material (R. p. 35). Moreover, this Court in *McLean v. Fleming, supra* has pointed out that exact similitude is not necessary. The Court stated:

> "What degree of resemblance is necessary to constitute an infringement is incapable of exact definition, as applicable to all cases. All that courts of justice can do, in that regard, is to say that no trader can adopt a trade-mark, so resembling that of another trader, as that ordinary purchasers buying with ordinary caution, are likely to be misled."

Not only was confusion pointed out in petitioner's notice of infringement on January, 1933, but in addition, in petitioner's counterclaim (R. pp. 8 and 9). The District Court asserted that confusion is bound to exist even with petitioner's use of a flying white horse. Therefore the issue of confusion is before this Court on petitioner's contention regardless of what respondent now thinks or contends about that question. It is significant that respondent did not deny confusion in 1933, and it was not denied in their Answer to petitioner's Counterclaim. Their denial now is a mere expediency.

Significantly, the very fact, that the difference between a white horse and a red horse is insufficient to avoid confusion, was held by the Court of Customs and Patent Appeals in a recent decision entitled *D. J. Bielzoff Products Co. vs. White Horse Distillers, Ltd.*, 43 U. S. P. Q. 397 (Dec. 1939), which involved a trade-mark opposition between a red horse and a white horse. The sole issue was whether the marks would be likely to cause confusion in the mind of the public, and it was held that confusion would be likely. With respect to the differences in color the Court said:

> "It would seem to be clear that if appellant is entitled to register its 'Red Horse' trade-mark for use on its alcoholic beverages in view of appellee's 'White Horse' and 'Black Horse' trade-marks, other producers of alcoholic beverages might well argue that they were entitled to the registration of such trade-marks as 'Brown Horse,' 'Gray Horse,' 'Sorrel Horse,' 'Bay Horse,' and possibly other similar marks for use on such beverages.

> That the use and registration of such marks on alcoholic beverages would destroy the value of appellee's registered marks, is so apparent as to require no discussion."

In the foregoing case, one symbol embodied a rearing red horse with a rider thereon, while the other symbol was the representation of a standing white horse without a rider.

OHIO LAW.

Respondent admits that the Ohio law controls, but has not answered why the Ohio decisions cited by petitioner do not apply. The Ohio decisions are uniformly to the effect that the first to adopt and use a trade-mark is entitled to the exclusive use thereof throughout the State of Ohio. That proposition is in accordance with Federal decisions, as set out under "Ohio Law" in Oil City's Petition for Rehearing in the Court of Appeals (R. pp. 287-293).

The holding by the Appellate Court of a superior right in respondent as against petitioner's exclusive right is an error resulting from applying the law pertaining to *descriptive* marks instead of that pertaining to *technical* trade-marks. The respondent now suggests that the only difference between technical trade-marks and descriptive marks is the advantage gained in the matter of proof, admitting that in a technical trade-mark case fraud by an infringer is presumed, while in a descriptive trade-mark case fraud must be proven. Such contention does violence to the established law of technical trade-marks. *Menendez vs. Holt*, 128 U. S. 514.

The reason for identifying a mark as a technical trade-mark is to connote automatically an exclusiveness of the right of use in the territory preempted, as distinguished from a descriptive mark, which might be a word in general use, and therefore incapable of exclusive appropriation. The Courts below have treated this case as though the mark

were a descriptive mark, and have cited no authority to support the proposition whereby the owner and first user of a technical trade-mark can lose his right to exclusive appropriation so that he can be enjoined from using the mark in a certain color, based upon an infringer's alleged right to exclusiveness in that color, particularly where the infringer had notice of the owner's claim at the time the infringer commenced to use the mark.

OHIO REGISTRATION.

Respondent points out that the petitioner's registration under Ohio law has no value in establishment of petitioner's rights. They refer to the Ohio statute as a police regulation governing rights solely for the recovery of personal property having the trade-mark thereon. It is petitioner's position that its rights of exclusive ownership in the flying horse symbol are derived by virtue of the common law, and that the Ohio registration is not necessary to insure relief from infringement thereof. The registration, however, is important in that it shows that Ohio affords state wide recognition of the mark.

RESPONDENT'S FOREIGN USE AND FEDERAL REGISTRATION.

Respondent now admits, on page 10 of its brief, that it does not contend that either its federal registration or prior use of the mark abroad has given respondent any right as against the petitioner in Ohio. That is, of course, in accordance with the law. (*Coty, Inc. vs. Parfums De Grand Leux, Inc.*, 298 F. 865, *Richter vs. Reynolds*, 59 F. 577.) Nevertheless the District Court evidently did base its decision on either respondent's foreign trade or its federal registration or both. The District Court stated that the plaintiff had used the red horse in foreign trade in 1916, and that in 1911 it had registered it (R. p. 65). Then the Court recites that petitioner without any knowledge of respondent's

prior use had developed the use of such symbol in Ohio which gave the petitioner established rights in the limited territory which should be protected, but that protection should "be strictly limited so as not to interfere unduly with plaintiff's rights in its established trade-mark." (R. p. 66.)

How, we ask, had the plaintiff (respondent) established any rights in Ohio in its trade-mark? The only thing the court refers to is its foreign trade in 1916 and its registration in 1911. It seems evident, therefore, that the District Court believed that such foreign use and federal registration gave Socony established rights in the State of Ohio.

The Court of Appeals, on the other hand, pointed out, as if it were a factor in its conclusion in respondent's favor, that respondent had, after this infringement began, "expended large sums in advertising its product under the trade-mark of the flying red horse and it operated many oil stations using this trade emblem as identification of its products and the places where they were sold." (R. p. 271.)

Now, as has been said:

> "It is immaterial that the succeeding user's trade under the mark is the larger; greater sales do not confer a better right." (63 *C. J.* 340.)

A case in point is that of *Kahn vs. W. A. Gaines & Company* (161 F. 495) involving the words "Old Crow" as a trade-mark for whisky. The Court of Appeals of the 8th Circuit in reversing the lower court, which had decided in favor of complainant (the Gaines & Company), pointed out that the attorney for Gaines & Company argued that the use of the mark by the defendant before the complainant adopted it was so rare that it could be disregarded. The court said:

> "The right of the defendants to use in their trade the designative words 'Old Crow,' or 'Crow,' cannot be measured by the extent to which they employed it,

whether more or less frequent at times. It is sufficient to protect them from the charge of an unlawful invasion of the complainant's claimed monopoly that they used in connection with their business as whisky dealers the trade name in question prior to any appropriation thereof by the complainant, and that they have so continued to use it. Neither can their right to use it *ad libitum* be destroyed by the overshadowing comparative amount of the complainant's sales under the designation of 'Old Crow' whisky, nor by the asserted superiority of its product."

RESPONDENT'S OBJECTION THAT PETITIONER'S STATEMENT OF SUBJECT MATTER IS INACCURATE.

While this is a very minor matter, as the objections seem to be principally to petitioner's manner of stating the background of the controversy, we should perhaps make a short explanation.

Respondent objects that petitioner stated that respondent's answer to the counterclaim admitted the use by petitioner of the symbol of a flying horse as a trade-mark, whereas what they admitted was the use of a symbol of a flying horse "on packages in which certain of the products are sold, on pumps from which its gasoline is sold" (R. p. 10),—but that makes a trade-mark use of the flying horse.

Petitioner referred to the admission of the Ohio registration by petitioner of its flying horse trade-mark, and respondent says they admitted the registration but did not admit it was a trade-mark registration. That is technically correct, but the actual registration is in evidence (R. p. 97) and shows a picture of a flying horse and states "such design or trade-mark has been used on containers and on dispensing pumps in which oils and/or petroleum products are sold."

Respondent objects to the petitioner's statement that there was an admission in the answer to the counterclaim that there had been negotiations, conferences and correspondence between the parties concerning petitioner's claim

of infringement. Again, the objection may be technically correct, but the answer to the counterclaim did admit that there had been various letters and various conferences between the parties, and the record contains testimony by one of respondent's own witnesses that one of the conferences was to determine what would be a fair replacement value of the sales promotion and advertising signs "should Mr. Roski (president of petitioner) agree to discontinue using the flying red horse." (R. p. 90.)

Respondent objects to petitioner's use of the expression "partial cessation" at some of its stations. But respondent's own quotation by the Master (page 2) refers to the "practical" discontinuance for about a year and a half at "nearly if not quite all of defendant's stations," then numbering about twenty-two, and mentions that for about two years thereafter about twelve of defendant's stations were devoted to the sale of other company's products. This seems but another way of saying there was a partial cessation at some of petitioner's stations.

CONCLUSION.

The decision of the Court of Appeals announces a new interpretation of law concerning technical trade-marks, namely, that an infringer, after notice, acquires, by his very fraud in infringing, not only a right to continue the infringement but an exclusive right to use the purloined trade-mark in one color. The granting of this petition for writ of certiorari will give this Court the opportunity to put the stamp of disapproval on any such doctrine.

Respectfully submitted,

ALBERT R. TEARE,
Attorney for Petitioner.

Of Counsel:
ALBERT H. BATES,
BATES, TEARE & MCBEAN.